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V. Walery Starczewski
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30 November 1959

The Honorable Allen Welsh Dulles
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My Dear Mr. Dulles:

Since the visit of Mr. Khrushchev who in his speeches boasted about the still increasing rate of Soviet industrial growth and claimed that consequently the Soviets in a few years will eventually overtake us in the output of our industrial production, articles from many sources have appeared in our press emphasizing the danger of this economic race which we are facing and urging to increase the rate of our industrial growth. Unfortunately, the authors advocating such a boost in our industrial output forget that our free economy is governed solely by the economic laws of supply and demand, and therefore neither our Government nor our people can do anything about increasing beyond a normal yearly rate of growth (± 3.4%) our industrial expansion. In a small measure; our Government can temporarily boost our industrial output by:

1. Buying itself more industrial goods from our industry (which of course will lead to either increased taxes or a government deficit).

2. Lowering the discount rate

3. Liberalizing credit and installment buying facilities — the 2/ and 3/ measures; however, in a long run this will undoubtedly bring inflation and consequently a recession, or even depression with a considerable curtailment of production.

In the Soviet the picture is quite different. In their dictatorial economy by a simple decree Mr. Khrushchev can fix at any level the production quotas of the USSR, increasing them at will, with his slave labor and the underpaid millions of Soviet workers who can not get the share of their earnings. Those seemingly obvious facts are either not fully understood by many or are not taken into proper consideration when talking about our race with the Soviets in the rate of industrial growth. I wrote a letter to the "Washington Evening Star", which I take the liberty in sending to you as you are interested in this subject and have expressed some opinions concerning it.

With my deepest regards,

Very sincerely yours,

V. Walery Starczewski

V. Walery-Starczewski

THE EVENING STAR
Washington, D. C., Friday, November 20, 1959

# 'Narrowing the Gap'

The question of the danger of our industrial production growth being surpassed by the Soviets as raised in your editorial, "Narrowing the Gap," of November 16, requires, it seems, some explanations.

First of all, industrial growth in a country is guided in its market expansion possibilities by the amount of industrial goods required by its population. In this respect the market of the United States at present has little chance of rapid expansion, since the demands of the majority of its population are satisfied or the market is nearly saturated with industrial goods at the present rate of production. A different picture is in the Soviet Union. There almost every customer is short of the majority of industrial goods and until all his needs are satisfied this market is in a position to absorb a sharp upturn in industrial output.

Furthermore, in our free society with its free economy the law governing our industrial expansion is the law of supply and demand and the ultimate force in such an expansion is, therefore, the consumer with his ability and desire to purchase goods. The industry cannot further expand if its consumers are not willing or are not able to buy more, because otherwise the inventories of industrial goods will rapidly rise, which will lead to a dangerous overproduction and eventually may bring a depression.

In the Soviet Union the situation is completely different. It is not a free but a controlled economy where the governing law of industrial expansion is not the law of supply and demand but the dictates of the all-powerful government which sets arbitrarily the rate of industrial growth. The consumer, his needs, his purchasing abilities and his willingness to buy are not the automatic governors of the industrial expansion of the country. Not always for economic reasons, but because of political or military considerations, the production quotas are set by the planning government agencies regardless of the natural economic growth of the country.

V. Walery.